

Federal Open Market Committee

Conference Call

December 14, 1992

Attendance at this meeting was not recorded in the  
Committee's files.

Transcript of Federal Open Market Committee Conference Call  
December 14, 1992

CHAIRMAN GREENSPAN. Let me start off by briefly reviewing the meeting I had with President-elect Clinton in Little Rock ten days ago. I had about 24 hours' notice but a choice of days on which to go down and visit. It was fairly apparent that the basic purpose of the meeting was to indicate a desire to work with the Federal Reserve. Indeed, we spent more than 2-1/2 hours on a wide variety of subjects, which I must say to you included perhaps 15 minutes on the Federal Reserve and the rest on everything from Somalia, Bosnia, Russia, and heaven knows what else. But I found it a quite interesting meeting in the sense that he exhibited, as I'm sure most of you know, considerable detailed knowledge on a wide variety of subjects. He clearly is very knowledgeable and conceptual about many of the issues that confront us. It was difficult to tell when I left whether I was gaining an impression that might not be realistic with respect to his potential views about his relationship with the Federal Reserve. But I must say, upon seeing the nature of the senior people whom he has nominated for key positions on his economic team, that clearly is the direction in which he is going.

I'm available to answer questions on this subject if anyone wants to raise one, but obviously the main purpose of this call is the update I indicated we would have following our discussion about Henry Gonzalez's letters. But before I call on Don Kohn to brief us on his review of the detailed minutes of our last meeting on that particular subject, does anyone have a desire [to discuss] anything further on my meeting with Mr. Clinton?

MR. BOEHNE. Did you get any impressions about how he views the Fed as an institution and our role in the public policy structure?

CHAIRMAN GREENSPAN. Ed, we didn't discuss that directly but if I read his body language and peripheral comments [correctly], his views were clearly favorable as best I can judge. We had a very short break after about 2 hours into the meeting when he apparently spoke to Mr. Stefanopoulos, and in discussing the content of our meeting apparently made a special point about the importance of maintaining the independence of the Federal Reserve System. I must say that everything I heard in our meeting was consistent with that and I gained no indication of any concerns about the Federal Reserve, its policy or structure, or the nature of the Fed as an institution.

MR. BOEHNE. Do you have any impressions about how the new Secretary of the Treasury might view some of those issues?

CHAIRMAN GREENSPAN. Well, I know of no reason to believe that his views would be otherwise. He certainly would not be expected to be supportive of Chairman Gonzalez because I don't think he ever has been to my knowledge. But we do have somebody who was brought up in that arena, and I thought Mike Kelley might inform us as to his insights.

MR. KELLEY. Well, I don't have any special insights but, as I said to the Chairman when he asked me the other day, I can't imagine in my wildest dreams that Lloyd Bentsen is going to go out of his way to support an initiative by Henry Gonzalez. It would indeed be

revolutionary in his career at this late date.

CHAIRMAN GREENSPAN. That's what I like about Mike. He doesn't come to the point! Does anybody else want to pursue anything further on this? If not, why don't I call on Don Kohn to brief us on what he sees as the central focus or the nature of our rather random discussion relating to the two letters that we received from Chairman Gonzalez.

MR. KOHN. Thank you, Mr. Chairman. I can be brief also, I hope. The subject here is the videotaping and the detailed minutes [of FOMC meetings]. We have two letters [from Mr. Gonzalez], one to the Chairman and one to the Presidents; the one to the Presidents is different. I think there was a consensus among the Committee members [at the meeting on November 17th] in terms of considerable concern about the effect on the deliberative process of any release of detailed minutes or of videotaping or audiotaping the meetings and releasing [those tapes]. That was the focus of much of the discussion, within the context of an understanding that a public body ought to be as open as possible unless there are negatives offsetting that [openness]. Within that consensus, we found that there wasn't anybody in favor of a literal recording of the FOMC proceedings, whether one called that a videotape, a transcript, or an audiotape. The members who spoke up on this issue were against that entirely, regardless of the lag with which that would be released. At the same time, the members were divided, with a few more in favor than opposed, on maintaining detailed minutes along the lines of the Memorandum of Discussion that used to exist. However, [I'd note] two points. One is that those in favor didn't want such minutes released for some time--several years--because of concern about the feedback on the deliberative process from that. Secondly, all members recognized that to get protection for several years we probably would need legislation, and that had dangers in and of itself. So, there was a consensus against any literal recording and some division about detailed minutes, with more in favor than opposed, though not everybody spoke on that issue.

There were a number of issues also raised by members about what the Committee tells the public, when it tells the public, and how it tells the public. In particular a lot of members wondered whether we couldn't release some information sooner than we do now.

CHAIRMAN GREENSPAN. In going over what seems to be the central thrust of the views of the Committee, I thought it would be useful to do two things. One is to send a response to Chairman Gonzalez speaking for the Committee on what is directly relevant to the issues that he raised. Briefly, if we send the letter, it would acknowledge the general principle as Don mentioned that openness in public bodies is desirable unless there are really overwhelming reasons not to be open. The letter would go on to say that Committee members believed that literal records of proceedings or any detailed record released before several years [had elapsed] would seriously detract from the deliberative process by inhibiting the free flow of information and ideas. The letter also would note the considerable amount of information on FOMC deliberations already released in the policy record. Apparently, Chairman Gonzalez doesn't seem to be aware of that document.

In addition, I think that it would be useful for us to have a subcommittee drawn from the Board and the Presidents which might look into such questions as the immediate release of the directive; the immediate announcement of federal funds rate changes, possibly with a discount rate type explanation; whether and how more accountability might be put into the policy record, especially for those voting in the majority; whether a memorandum of discussion should be prepared; with what lag it should be released; and what kind of legislative changes would be needed to protect it before disclosure.

If the Committee is in general agreement with this, we will draft a letter and send it to all of you prior to sending it on to Mr. Gonzalez. And I would appreciate any thoughts you might have even now or in the next day or so. Communicate them to Don Kohn so that he might embody them as appropriate in the draft letter. In any event, we will send the draft letter out within a short period of time, and comments on it would be appreciated so that we can get the response back to Mr. Gonzalez fairly quickly.

On the issue of the subcommittee, I would propose that Presidents Boehne and Melzer join with Governors Mullins and Kelley-- I'm trying to capture a representative group based on what I heard at the [November 17th] meeting--to try to come together with a series of views on the issues I raised and report back to the Committee. Clearly, what we need is at least some general indications [of the Committee's thinking] prior to the Humphrey-Hawkins hearings. And as a consequence of that, I would ask the subcommittee, if it's agreeable to the rest of the Committee, to burden our February meeting--a meeting that as you all know is rather long to begin with--with that as an additional item of discussion. But I don't see any alternative to getting this issue resolved so that we will be able to go into the Humphrey-Hawkins hearings with a fairly firm Committee position, if that's at all possible, on this particular subject. There's just no question in my mind that the whole nature of the Gonzalez approach to the Fed is going to surface at those Committee hearings even though he's planning to hold special individual hearings on certain selected issues that are involved in the numerous attacks he has made on the Federal Reserve System. I assume we don't have to rush ahead with the preparation for the hearing in which we reply to all the nice things that Mr. Gonzalez is planning to say about how well we're doing our job. In any event, I open the meeting to comments on either the letter or the nature of the topics that the subcommittee will be getting involved with.

MR. ANGELL. I had a question as to the 2 to 2-1/2 year delay. I understand the delay on the present policy directive because what we're doing is waiting until the next meeting. I think we have to be careful that we not oppose a delay that's not [unintelligible] or defensible.

CHAIRMAN GREENSPAN. I had that same question. The original proposal [for delay] that was made years ago was 5 years and then 3 years--that was coming from the Congress. The one we're getting from Congress now is 60 days.

MR. ANGELL. It seems to me that, whatever we might suggest, it's a very slippery slope downward. I think we'd be better not to

get into such specifications because there is hardly any way to say that 2 years is different from 3 years or 1 year.

CHAIRMAN GREENSPAN. Or 3 months.

MR. ANGELL. Or 3 months. And then somebody will say: Well, why not 30 days?

CHAIRMAN GREENSPAN. I agree with that. I think it is a very tough position to take. My own personal opinion would be just to say "no" and forget it. It's a clear answer.

MR. ANGELL. You might defend that almost better than the other.

CHAIRMAN GREENSPAN. Well, that would be my opinion, but I'm not sure that a majority of the Committee holds that view. Clearly, that's one issue the subcommittee would focus on.

MR. LAWARE. The minute you discuss a timeframe for releasing something you say that you're willing to consider having something to release. The less said about it the better, as far as I'm concerned.

CHAIRMAN GREENSPAN. Any further questions or ideas anyone wants to bring up?

MR. MULLINS. In your letter will there be any mention of the subcommittee and its continuing discussion of these topics?

CHAIRMAN GREENSPAN. No, I would just hope that Don would phrase it in a manner that merely stipulates that obviously we are always discussing these questions. But at this particular stage I think there is nothing gained by leaving [the issue] open until we have something to say.

MR. HOENIG. I presume that what we're talking about is a response both to the letters that were sent to the Presidents and the letter sent to you, Mr. Chairman. Is that correct?

CHAIRMAN GREENSPAN. I would think so. I think we want to respond with a single letter; but after it's drafted and you take a look at it, comments on whether or not two letters might be preferable are obviously [appropriate]. I hope we can put it in one letter.

MR. ANGELL. I can see where the Presidents would like to have one letter, but if anyone wants to send a letter with a dissenting view from that of the majority, I think that would be appropriate since Mr. Gonzalez wrote to [each of the Presidents]. I don't think we should be seen as muzzling anyone.

CHAIRMAN GREENSPAN. If in fact all the Governors and the Presidents agree, I would feel that I could stipulate that I'm speaking for all Committee members. If that doesn't turn out to be the case, and we obviously can't know that until we see what it is we're dealing with, then I think alternate means are appropriate. Anything else from anybody?

MR. JORDAN. This is Jerry Jordan. I think you are right that Chairman Gonzalez does not have any idea what information is currently available, and I'd suggest in your letter that you might also note that a number of Reserve Banks regularly, and for long periods of time, have done ex-post reviews of the FOMC [decisions] in the prior year. For students of the subject there really is a lot of information available.

CHAIRMAN GREENSPAN. That's a good point, Jerry. Anything else? If not, we will see you all on December 22nd. Is that it?

MR. ANGELL. Is the meeting starting at 8:00 a.m.?

CHAIRMAN GREENSPAN. Yes, 8:00 a.m. Merry Christmas everybody!

END OF SESSION